

HIV/AIDS Alliance for Region Two, Inc.**Baton Rouge, Louisiana****Financial Statements****Years Ended December 31, 2009 and 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/18/10

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Position	2-3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5-6
Notes to Financial Statements	7-13
OMB Circular A-133 Section	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17-18
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	19-20
Schedule of Findings and Questioned Costs	21



REPORT OF INDEPENDENT AUDITORS

The Board of Directors
HIV/AIDS Alliance for Region Two, Inc.

We have audited the accompanying consolidated statement of financial position of HIV/AIDS Alliance for Region Two, Inc. (the Organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HIV/AIDS Alliance for Region Two, Inc. as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued a report dated June 30, 2010, on our consideration of HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of HIV/AIDS Alliance for Region Two, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Carleton & Co CPAs

Baton Rouge, Louisiana
June 30, 2010

HIV/AIDS Alliance for Region Two, Inc.
Consolidated Statement of Financial Position
As of December 31, 2009

			Total	
	Unrestricted	Temporarily Restricted	2,009	2,008
ASSETS				
Current Assets				
Checking/Savings	\$622,773		\$622,773	\$102,479
Petty Cash	350		350	800
Total Checking/Savings & Petty Cash	623,123	0	623,123	103,279
Accounts Receivable				
Contracts Receivable	1,317,348		1,317,348	2,496,331
AmerisourceBergen	70,036		70,036	8,196
Total Accounts Receivable	1,387,384	0	1,387,384	2,504,527
Other Current Assets				
Inventory	7,717		7,717	62,880
Due from Employees	8,800		8,800	15,200
Prepaid Rent	0		0	7,153
Prepaid other expenses	82,977		82,977	1,238
Total Other Current Assets	99,493	0	99,493	86,471
Total Current Assets	2,110,000	0	2,110,000	2,694,277
Fixed Assets				
Machinery & Equipment	93,370		93,370	267,869
Less: Accumulated Depreciation	(69,288)		(69,288)	(199,622)
Total Machinery & Equipment	24,082	0	24,082	68,247
Land & Buildings				
Land & Buildings	779,455		779,455	779,455
Less: Accumulated Depreciation	(34,418)		(34,418)	(8,767)
Total Land & Buildings	745,037	0	745,037	770,688
Total Fixed Assets	769,120		769,120	838,935
Other Assets				
LAMMICO Loss Fund	20,000		20,000	20,000
Total Other Assets	20,000	0	20,000	20,000
TOTAL ASSETS	\$2,899,119	0	\$2,899,119	\$3,553,212

The accompanying notes are an integral part of these financial statements

HIV/AIDS Alliance for Region Two, Inc.
Consolidated Statement of Financial Position
As of December 31, 2009

			<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2,009</u>	<u>2,008</u>
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable	\$166,392		\$166,392	\$961,258
Other Current Liabilities				
Accrued Wages	38,312		38,312	
Due to AVITA	38,647		38,647	37,937
Eastwind Tenant Deposits	2,224		2,224	2,150
Eastwind Tenant Pre-paid Rent				800
Accrued Payroll Liabilities	9,324		9,324	
Total Other Current Liabilities	<u>88,507</u>	<u>0</u>	<u>88,507</u>	<u>40,887</u>
Total Current Liabilities	254,898	0	254,898	1,002,145
Long-Term Liabilities				
Line-of-Credit Payable - HAART	2		2	697,728
Note Payable - Hancock/Eastwinds	275,783		275,783	284,903
Total Long-Term Liabilities	<u>275,785</u>	<u>0</u>	<u>275,785</u>	<u>982,631</u>
Total Liabilities	530,684	0	530,684	1,984,776
Equity				
Restricted Assets - Cotton Daniel		215,000	215,000	
Restricted Assets - Roche		6,560	6,560	6,560
Retained Earnings	1,346,876		1,346,876	142,477
Net Income	799,999		799,999	1,419,399
Total Equity	<u>2,146,875</u>	<u>221,560</u>	<u>2,368,435</u>	<u>1,568,436</u>
TOTAL LIABILITIES & EQUITY	<u>\$2,677,559</u>	<u>\$221,560</u>	<u>\$2,899,119</u>	<u>\$3,553,212</u>

The accompanying notes are an integral part of these financial statements

HIV/AIDS Alliance for Region Two, Inc.
Consolidated Statement of Activities
As of December 31, 2009

			<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>2008</u>
Revenue and Other Support				
Pharmacy Sales	\$4,849,882	\$0	\$4,849,882	\$5,188,819
Fees for Services	190,359		190,359	91,386
Contributions	24,762		24,762	17,170
Grant Revenue	3,721,638		3,721,638	5,020,553
Rental Income	41,383		41,383	14,850
Housing Program Income	17,018		17,018	10,215
Other Income	10,883		10,883	
Net Assets Released from Restrictions:				
Restrictions Usage Restriction				
TOTAL REVENUE AND OTHER SUPPORT	<u>8,855,925</u>		<u>8,855,925</u>	<u>10,342,993</u>
Cost of Goods Sold				
Cost of Pharmacy Sales	2,715,484		2,715,484	3,199,959
TOTAL COST OF GOODS SOLD	<u>2,715,484</u>		<u>2,715,484</u>	<u>3,199,959</u>
Expenses				
Program Services and Grants	3,378,434		3,378,434	4,571,969
General and Administrative	1,210,801		1,210,801	395,168
Rental Expense	22,014		22,014	20,538
Caring Clinic Operating Expenses	729,194		729,194	729,400
TOTAL EXPENSES	<u>5,340,443</u>		<u>5,340,443</u>	<u>5,717,075</u>
 Increase (Decrease) in Net Assets	 799,999		 799,999	 1,425,959
Net Assets, beginning of year	1,561,876	6,560	1,568,436	142,477
Net Assets, end of year	<u>\$2,361,875</u>	<u>\$6,560</u>	<u>\$2,368,435</u>	<u>\$1,568,436</u>

The accompanying notes are an integral part of these financial statements

HIV/AIDS Alliance for Region Two, Inc.
Consolidated Statement of Cash Flows
For the Year Ending December 31, 2009

	<u>Year Ending December 31</u>	
	<u>2,009</u>	<u>2,008</u>
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets (Net Income)	\$799,999	\$1,425,960
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	(104,684)	44,880
(Increase) Decrease in Current Assets (other than Cash):		
Grants Receivable	1,143,115	(1,441,207)
Hancock Bank	8,196	(8,196)
AmerisourceBergen	(70,036)	
Inventory	55,164	(62,880)
Prepaid Other Expenses	(79,922)	1,238
Prepaid Other Expenses: Fundraising	(1,817)	(1,238)
Prepaid Rents	7,154	(7,154)
Due from Employees	6,400	(9,700)
Deposits	0	5,217
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(794,868)	727,841
Accrued Wages	38,312	
Due to Avita	711	37,936
Eastwind Tenant Deposits	74	2,150
Eastwind Tenant Pre-paid Rents	(800)	800
Accrued Payroll Liabilities	9,324	
Net Cash Provided by Operating Activities	<u>1,016,322</u>	<u>715,647</u>
INVESTING ACTIVITIES		
(Increase) Decrease in Long-Term Assets:		
LAMMICO Loss Fund	0	(20,000)
Machinery & Equipment	174,499	(38,891)
Land & Buildings	0	(779,455)
Net Cash Provided by Investing Activities	<u>174,499</u>	<u>(838,346)</u>

The accompanying notes are an integral part of these financial statements

HIV/AIDS Alliance for Region Two, Inc.
Consolidated Statement of Cash Flows
For the Year Ending December 31, 2009

	<u>Year Ending December 31</u>	
	<u>2,009</u>	<u>2,008</u>
FINANCING ACTIVITIES		
Increase (Decrease) in Long-Term Liabilities & Equity:		
Line-of-Credit Payable - HAART	(697,725)	(48,685)
Note Payable - Hancock/Eastwinds	(9,120)	284,903
Restricted Assets - Roche	0	6,560
Restricted Assets - Wilson Family	0	(35,000)
Restricted Assets - Cotton Daniel	215,000	
Retained Earnings	(179,132)	14,640
Net Cash Provided by Financing Activities	<u>(670,977)</u>	<u>222,418</u>
Net Increases in Cash and Cash Equivalents	519,844	99,719
Cash and Cash Equivalents, Beginning of Year	<u>103,279</u>	<u>3,560</u>
Cash and Cash Equivalents, End of Year	<u><u>\$623,123</u></u>	<u><u>\$103,279</u></u>

The accompanying notes are an integral part of these financial statements

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #1 **Nature of Activities and Summary of Significant Accounting Policies**
Organization

The HIV/AIDS Alliance for Region Two, Inc. (HAART) is a Louisiana non-profit corporation, incorporated on February 16, 1995, for the purpose of responding to the threat of the HIV (Human Immunodeficiency Virus) and AIDS (Acquired Immune Deficiency Syndrome) diseases existing in Louisiana, through the development of educational programs, support services, assistance, and financial development. In furtherance of those purposes, the corporation is authorized, but not limited to, purchasing and acquiring property, receiving and administering donations of money, property, or other things of value, rendering charitable assistance to individuals living with, or at risk of acquiring, HIV infection or AIDS or educational work related to the HIV or AIDS threat.

In July 2007, HAART's primary role changed from serving as the Louisiana Department of Health and Hospitals' Region Two Ryan White Part B (formerly Title II) Regional Consortium, in which HAART served as the planning body and fiscal agent contracting for direct client services. At that time, its federal funding switched from state-shared Part B to a City-Parish administered Part A (formerly Title I) Transitional Grant Area (TGA) formula area, allowing HAART to become a direct provider of Ryan White services.

Ryan White Part B is available to states and territories to address the impact of HIV/AIDS. Ryan White Part A is for severely impacted metropolitan areas with populations greater than 500,000 persons. While the Office of Public Health's HIV/AIDS Program administers the state's Part B funding, Ryan White legislation designates Part A funding to "the chief elected official of the Metropolitan Statistical Area"; in this instance, the Mayor of the City-Parish of East Baton Rouge. Those designees are also responsible for facilitating the legislatively-mandated planning functions.

The City-Parish is also the recipient of formula funding from HUD's Housing Opportunities for People with AIDS (HOPWA) program. HOPWA provides various types of housing assistance to eligible persons living with HIV/AIDS so that they may avoid homelessness because of the impact of the disease on their lives. HAART receives HOPWA funds from the City-Parish as well as funds for three projects under HUD's Supportive Housing Program, targeting persons who have become homeless.

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #1 (Continued)

On July 9, 2007, HAART established the Caring Clinic of Louisiana, LLC for the purpose of addressing the extreme shortage of physician capacity in the area and to provide additional treatment capacity for uninsured persons living with HIV infection or AIDS. The clinic is a general internal medicine practice and is neither a "free clinic" nor an HIV-specific treatment center. While it does receive Ryan White funding through subcontract from its parent corporation, HAART, the bulk of its patients have some type of third party medical coverage including health insurance, managed care programs, Medicaid or Medicare.

Loans from HAART to the clinic for start-up capital are expected to be repaid through receipts from private pay patients, in full over time. The LLC (clinic) has a single-member Board of Directors with HAART, the corporation, serving as the single member. The Board of Directors of HAART has established a committee to assist the agency's executive director in overseeing clinic operations.

On January 1, 2008, both HAART and Caring Clinic were authorized as "eligible entities" and entered into separate agreements with a contract pharmacy to operate their 340B Drug Pricing Programs. The 340B program is administered by HHS/HRSA's Office of Pharmacy Affairs. It resulted from enactment of Public Law 102-585, the Veterans Health Care Act of 1992, which is codified as Section 340(b) of the U.S. Public Health Service Act. Section 340B limits the cost of covered outpatient drugs to certain federal grantees (including Ryan White recipients), federally-qualified health center look-alikes and qualified disproportionate share hospitals. The agreement with the contract pharmacy has been suspended, pending renegotiation of terms, at the time of the issuance of this report

Basis of Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 116 (SFAS No. 116), Accounting for Contributions Received and Contributions Made and Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. SFAS No. 116 requires contributions to be recognized as revenue when they are received or unconditionally pledged. SFAS No. 117, which eliminates the utilization of fund accounting for financial reporting purposes, requires net assets to be classified as either 1) unrestricted, 2) temporarily restricted, or 3) permanently restricted depending on limitations placed on the net assets.

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #1 (Continued)

Donated Services

Amounts have not been reported in the statements for donated services because they do not meet the criteria for recognition under SFAS No. 116. A substantial number of volunteers have donated significant amounts of their time to the Organization.

Contributions of service shall be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions receivable represent amounts committed by donors that have not been received by the Organization.

Conditions - Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Prepaid

Insurance and similar services which extend over more than one accounting period have been recorded as prepaid.

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #1 (Continued)

Accounts Receivable and Allowance for Uncollectible Amounts

The Organization makes no allowance for bad debt, because its receivables are generally collected within 60 days and are not booked unless confirmed collectible.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

The purchase of property and equipment is recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$5,000. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Assets are depreciated using the straight-line method over their estimated useful lives.

Allocation of Functional Expenses

The Organization classified expenses into three functions: Program Services, Development and Administration. Program Services includes all expenses directly related to activities and programs, and educating the public about the Organization's programs. Development consists of expenses related to the solicitation of contributions. Administration represents general and administrative costs not directly associated with activities and programs. Certain expenses have been allocated among classifications on the basis of estimates made by the Organization's management.

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #1 (Continued)

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the Organization's financial position and operations. However, presentation of comparative data by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Note #2 Concentration of Credit Risk for Cash Held in Bank

HAART maintains six bank accounts at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

At December 31, 2009, HAART had cash and cash equivalents (book balances) totaling \$623,123. These deposits are stated at cost, which approximates market.

Note #3 Grants Receivable

Grants receivable at December 31, 2009 consists of reimbursements for expenses incurred under the following programs:

340b Insurance and Copayments	\$ 72,186
CDAP-Copay and deductibles	322,413
CDC Prevention	5,008
State of Louisiana-Ryan White	44,035
City of Baton Rouge-Ryan White	273,660
City of Baton Rouge-HOPWA	136,425
HUD-Emergency Shelter Grant	4,031
SHP-Helping Hands	79,295
SHP-Homes from the HAART	72,356
SHP-Hope and Healing	156,782
SHP-Independent Skills	139,248
Medicaid Case Management	<u>11,908</u>
Total	\$1,317,348

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #4 **Fixed Assets**

Fixed assets are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of five to ten years for equipment and 27.5 years for rental properties.

Equipment	\$93,370
Less: Accumulated Depreciation	<u>(69,288)</u>
Total Equipment	24,082

Land and Buildings	779,455
Less: Accumulated Depreciation	<u>(34,418)</u>
Land and Buildings Book Value	\$ 745,037

Note #5 **Line of Credit and Notes Payable**

On January 29, 2009, HAART renewed a line of credit with Hancock Bank for \$1,750,000 at an initial rate of 8.25%. As of December 31, 2009, the Organization had a balance of \$2 in loans outstanding.

On September 30, 2008, HAART purchased Eastwind Apartment Homes, which was used a security on a loan with Hancock Bank in the amount of \$290,036.13 at a fixed rate of 6.75% over 15 years. The monthly payment is \$2,566.56. The balance at December 31, 2009 was \$275,783.

Note #6 **Temporarily Restricted-NORAPC**

HAART is the fiscal agent for New Orleans Regional AIDS Planning Council Support Staff and Program Support (NORAPC) services for the New Orleans EMA. These funds belong to NORAPC and as such, are restricted.

Note #7 **Lease Obligations**

HAART entered into a month-to-month operating lease of an office that houses the HAART's main office. The monthly rent is \$5,845. Caring Clinic is also on a month-to-month lease in the amount of \$1,725, for a total lease of \$7,570.

There are no future minimum lease payments for either operating or capital leases.

HIV/AIDS Alliance for Region Two, Inc.
Notes to Financial Statements
December 31, 2009

Note #8 Risk Management

HAART is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note #9 Economic Dependence

HAART receives a significant portion of its revenues from funds provided through grants administered by the City of Baton Rouge and other Local Governments. The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of the funds HAART receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of HAART's financial statements, management is not aware of any actions that will adversely affect the amount of funds the Organization will receive the next fiscal year.

Approximately 41.6% of HAART's support for the year ended December 31, 2009, came from government grants.

Note #10 Board of Directors' Compensation

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

Note #11 Related Party Transactions

The Organization did not engage in any transactions with any related parties.

Note #12 Contingencies

HAART receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the government. The ultimate determination of amounts received under these programs generally is based on allowable costs reported to the government, and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

OMB CIRCULAR A-133 SECTION

HIV/AIDS Alliance for Region Two, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2009

<u>Program Title</u>	<u>CFDA Number</u>	<u>Total Expenses</u>
<u>U.S. Department of Health and Human Services</u>		
Pass-through programs from:		
City of Baton Rouge:		
HIV Care Formula Grants (Ryan White Part B)	93.917	451,937
City of New Orleans:		
HIV Care Formula Grants (Ryan White Part B)	93.917	10,607
State of Louisiana, Department of Health and Hospitals:		
HIV Care Formula Grants (Ryan White Part B)	93.917	320,957
 <u>U.S. Department of Housing and Urban Development</u>		
Pass-through programs from:		
City of Baton Rouge:		
Emergency Shelter Grant	14.231	4,031
Supportive Housing Program (SHP)	14.235	499,089
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	99,549
City of New Orleans:		
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	<u>14,005</u>
 Total expenditures of federal awards		 <u>1,400,175</u>

HIV/AIDS Alliance for Region Two, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Note A Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of HIV/AIDS Alliance for Region Two, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
and on
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.

We have audited the consolidated financial statements of HIV/AIDS Alliance for Region Two, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

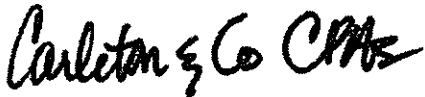
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HIV/AIDS Alliance for Region Two, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Carlton & Co CPAs". The signature is written in a cursive, stylized font.

Baton Rouge, Louisiana
June 30, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
HIV/AIDS Alliance for Region Two, Inc.

Compliance

We have audited the compliance of HIV/AIDS Alliance for Region Two, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. HIV/AIDS Alliance for Region Two, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of HIV/AIDS Alliance for Region Two, Inc.'s management. Our responsibility is to express an opinion on HIV/AIDS Alliance for Region Two, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HIV/AIDS Alliance for Region Two, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of HIV/AIDS Alliance for Region Two, Inc.'s compliance with those requirements.

In our opinion, HIV/AIDS Alliance for Region Two, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of HIV/AIDS Alliance for Region Two, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered HIV/AIDS Alliance for Region Two, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HIV/AIDS Alliance for Region Two, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.



Baton Rouge, Louisiana

June 30, 2010

HIV/AIDS Alliance for Region Two, Inc
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

A) Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of HIV/AIDS Alliance for Region Two, Inc.
2. No significant deficiencies relating to the audit of the financial statements of HIV/AIDS Alliance for Region Two, Inc are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of HIV/AIDS Alliance for Region Two, Inc were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for HIV/AIDS Alliance for Region Two, Inc expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
HIV Care Formula Grants – Ryan White Part B	93.917
Supportive Housing Program	14.235

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. HIV/AIDS Alliance for Region Two, Inc. was determined to be a low-risk auditee.

B) Findings – Financial Statements Audit

None

C) Findings and Questioned Costs – Major Federal Award Programs Audit

None